

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2015/2016

BAB2024 – MANAGEMENT ACCOUNTING FOR MANAGERS

(All sections / Groups)

**11 MARCH 2016
9.00 a.m – 11.00 a.m
(2 Hours)**

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 5 pages with 4 Questions only.
3. Answer ALL questions in the Answer Booklet provided.

QUESTION 1

M&G Berhad manufactures soda beverages and sells its products through convenience stores. While M&G Berhad has for years used activity-based costing in its best-selling beverage line, MeU, it has always used traditional costing in assigning its manufacturing overhead costs to its less profitable product line, U3, at a rate of 50% of M&G Berhad's direct labour costs. Under normal operating capacity, the direct labour costs for M&G Berhad's accounts for RM3,000,000.

On January 2016, the managers of M&G Berhad has decided to extend activity-based costing to the U3 line of beverages. Production for the month of January 2016 is 700,000 units of MeU and 200,000 units of U3. Data relevant to the MeU and U3 line of beverages for the month of January are as follows:

	Cost Driver	Estimated Overhead	Cost Drivers by Beverage Lines	
			MeU	U3
Ordering and receiving	Orders	RM132,500	600	400
Machine setup	Setups	297,000	500	400
Machining	Machine hours	1,000,000	150,000	100,000
Assembly	Parts	1,600,000	1,200,000	800,000
Inspection	Inspections	300,000	550	450

Required:

- Compute the overhead cost per unit to be assigned to the U3 line of beverage for the month of January using the traditional product costing system (direct labour costs as the cost driver).
(3 marks)
- Determine the overhead cost per unit for U3 using activity-based costing.
(15 marks)
- How much did the traditional product costing system undercost or overcost the overhead cost per unit of the U3 beverage line?
(2 marks)
- Write a memorandum to the vice president of M&G Berhad explaining FIVE (5) advantages of using activity-based costing for the U3 beverage line.
(5 marks)

(Total 25 marks)

Continued...

QUESTION 2

Sedap Bakery bakes organic bread loaves that sells for RM6 per unit. In 2015, Sedap Bakery suffered a net loss of RM15,000. The variable costs per unit were RM3 and the fixed costs were RM45,000.

Qasim, the owner of Sedap Bakery, expects the variable costs per unit and fixed costs to remain the same in 2016. In order to improve the financial performance of Sedap Bakery, Qasim has set a goal of earning a net income of RM120,000 in 2016.

Required:

- a) What is the contribution margin per unit for a loaf of organic bread?
(3 marks)
- b) Compute the number of bread loaves sold in 2015.
(3 marks)
- c) What is the total sales in RM that must be generated by the company to earn Qasim's projected net income of RM120,000 for 2016?
(6 marks)
- d) If Sedap Bakery manages to meet the targeted net income; by what percentage (margin of safety ratio) could its sales fall before it is operating at a loss?
(8 marks)
- e) Qasim is considering to spend an additional RM7,500 on a fixed advertising programme contracted for a year to boost sales in 2016. If Sedap Bakery is presently selling 10,000 loaves, how many additional loaves of bread must the company sell to earn a targeted net income of RM30,000?
(5 marks)

(Total 25 marks)

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QUESTION 3

In February 2016, the budget committee of Swift Berhad has budgeted the sales revenue for the forthcoming months as follows:

	March	April	May
Credit Sales	RM135,000	RM125,000	RM90,000
Cash Sales	90,000	255,000	195,000
Total Sales	<u>RM225,000</u>	<u>RM380,000</u>	<u>RM285,000</u>

Past experience indicates 50% of the credit sales will be collected in the month of sale, another 30% in the first month following the sale, and the remaining 20% will be collected in the second month following the sales.

Purchase of direct materials are all on credit and 60% is paid in the month of purchase and 40% in the month following the purchase. Expected purchases for 2016 are RM300,000 for March; RM240,000 for April; and RM105,000 for May.

Relevant cash disbursement budgeted for the three months are as follows:

Selling and administrative expense	RM48,000 each month
Dividends to be paid in April	RM103,000
Purchase of equipment in May	RM30,000

Swift Berhad wishes to maintain a minimum cash balance of RM50,000 at the end of each month. If necessary, the company borrows money from the bank at an interest rate of 3% to maintain the minimum cash balance. Borrowed money will be repaid in months when there is excess cash balance. The beginning cash balance in April is RM55,000.

Required:

- a) Prepare the following schedules for the months of April and May:
 - (i) Schedule of expected cash collections from customers
 - (ii) Schedule of expected cash payments for purchase of inventory

(8.5 marks)
- b) Prepare a comprehensive cash budget for the months of April and May.

(14.5 marks)
- c) Explain how cash budgeting can reduce the cost of short-term borrowing.

(2 marks)

(Total 25 marks)

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QUESTION 4

Kingsman Tailors is planning to produce 15 pieces of haute couture suits for the upcoming KL Fashion Week. On a normal tailoring project capacity, each suit requires 3.5 metres of fabric at RM10 per metre. The average wastage and spoilage produced under normal conditions is 0.5 metres per suit.

Direct labour hours required for each tailoring is 44 hours per piece. Setup and downtime average at 1 hour per piece. The average hourly pay rate of the employees is RM25 per hour. Payroll taxes and fringe benefits are an additional RM5 per hour.

The total budgeted overhead for the project is RM2,000. Kingsman Tailors applies overhead on the basis of direct labour hours. The predetermined overhead rate is at RM10 per direct labour hour.

To date, Kingsman Tailors has successfully tailored 5 pieces of suits for the preview runway show. The associated costs data were as follows:

Costs

Actual fabric price	RM12 per metre
Actual labour rate	RM35 per hour

Quantities

Actual quantity of materials purchased and used	25 metres
Actual hours incurred and used	200 hours

Required:

- a) Compute the total standard cost per piece for the suits.
(4 marks)
- b) Using the costs data of the completed suits, calculate the following variances for the tailored suits:
 - (i) Total direct materials variance
(5 marks)
 - (ii) Total direct labour variance
(5 marks)
 - (iii) Total overhead variance
(3 marks)

Continued...

- c) Has Kingsman Tailors met its standard cost requirements for the completed suits? Show relevant calculations on total standard costs and actual costs to justify your answer.

(5 marks)

- d) Briefly discuss ONE (1) possible measure Kingsman Tailors should consider in improving the variances for the remaining project requirements.

(3 marks)

(Total 25 marks)

End of Paper.